

## Message Text

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TREAS:HSCHULER  
S/S:O P. JOHNSON

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P 110032Z JUL 75  
FM SECSTATE WASHDC  
TO AMEMBASSY LISBON PRIORITY

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EXDIS

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJECT: RUMORED USG ADVICE TO WITHDRAW FUNDS FROM  
PORTUGUESE BANK

REFS: A) LISBON 3841, B) STATE 200072 OF 9/1/74

1. SECURITY PACIFIC, WHILE A MEMBER OF THE FEDERAL RESERVE, IS A NATIONAL BANK AND THEREFORE EXAMINED BY THE COMPTROLLER OF THE CURRENCY. THE FED EXAMINES ONLY ITS EDGE INVESTMENT CORPORATIONS.

2. THE COMPTROLLER EXAMINED SECURITY PACIFIC IN APRIL 1975 INCLUDING LOANS OF THE LONDON BRANCH. ACCORDING TO THE EXAMINERS' REPORT THEY GAVE NO ADVICE OR RECOMMENDATION ON SECURITY PACIFIC'S EXPOSURE IN PORTUGUESE BANKS. THIS WAS FURTHER CONFIRMED IN A TELEPHONE CONVERSATION WITH THE LONDON BASED EXAMINER EVENING OF JUNE 9.

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3. FED EXAMINERS DID NOT DISCUSS EXPOSURE IN PORTUGAL

WITH SECURITY'S NEW YORK EDGE CORP DURING EXAMINATION LAST SUMMER OR WITH WEST COAST EDGE CORP DURING NOVEMBER 1974 EXAMINATION. IN BOTH CASES, COURSE OF EVENTS IN PORTUGAL WERE NOT SUCH AS TO WARRANT PARTICULAR ATTENTION OF EXAMINERS.

4. DURING EXAMINATION OF SECURITY PACIFIC'S L.A. OFFICES IN JUNE 1975, COMPTROLLER'S EXAMINER DISCUSSED ISSUE OF PORTUGAL, BUT MADE NO REPEAT NO CRITICISM OR RECOMMENDATIONS. AN OFFICIAL OF THE BANK WAS SUBSEQUENTLY TRANSFERRED TO SECURITY PACIFIC'S LONDON BRANCH. IT IS POSSIBLE THAT HE SOMEHOW MISUNDERSTOOD DISCUSSION OR CHOSE TO MISCONSTRUE IT FOR HIS OWN PURPOSES.

5. NO GUIDELINES ON EXPOSURE IN PORTUGUESE BANKS HAVE BEEN TRANSMITTED TO FED OR COMPTROLLER EXAMINERS. THE EXAMINER'S EVALUATION AND RECOMMENDATION ON THE ASSET AND LIABILITY POSITION OF A BANK IS A STRICTLY CONFIDENTIAL MATTER WHICH SHOULD NOT BE DIVULGED BY EITHER PARTY (SEE REF B). THERE HAVE BEEN UNFORTUNATE INCIDENTS WHERE BANKS HAVE INCORRECTLY USED THESE RECOMMENDATIONS AS AN EXCUSE TO DENY LOANS OR TAKE OTHER ACTIONS. U.S. AGENCIES ARE CONSIDERING WHAT STEPS MIGHT BE TAKEN IN THIS CASE, ALTHOUGH AVAILABLE INFORMATION ON WHAT ACTUALLY HAPPENED IS STILL INCOMPLETE.

6. SHOULD YOU DISCUSS THIS ISSUE IN PRIVATE CONVERSATIONS WITH GOP OFFICIALS AND BANKING CONTACTS YOU MIGHT WANT TO DRAW UPON REF B AND DISCREETLY MAKE FOLLOWING POINTS: USG BANK EXAMINERS HAVE GIVEN NO RECOMMENDATION THAT EXPOSURE IN PORTUGAL BE REDUCED OR CURTAILED. US AGENCIES ARE INVESTIGATING THE ORIGIN OF RUMORS THAT SUCH AN INSTRUCTION WAS GIVEN TO A US BRANCH BANK IN LONDON. WE BELIEVE THAT A MERE PRIVATE CONVERSATION WITH AN EXAMINER, NOT A RECOMMENDATION, MAY HAVE BEEN MISUNDERSTOOD OR PURPOSEFULLY MISCONSTRUED BY A US BANK. WE ARE CONSIDERING WHAT ACTIONS THE USG MIGHT TAKE

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AGAINST THE BANK AND MEASURES TO ASSURE THAT SUCH AN UNFORTUNATE INCIDENT DOES NOT OCCUR AGAIN. INGERSOLL

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## Message Attributes

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